NCGA Corn Utilization & Technology Conference
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Under Secretary for Rural Development
Keynote Address

Good evening. It is a distinct pleasure to be with you today.

There's a marketing slogan … I don't know who originated it … that "50 is the new 30." Having reached an age at which I prefer to believe that is true, I'm beginning to find a lot of advantages in seniority.

One of those advantages is perspective … and in perspective, what you are doing here this week … what you have been doing for many years … is immensely important. I don't really know how to say this without sounding like a melancholy, pandering, bureaucrat but in all sincerity NCGA is to be commended … and I say this as a lifelong corn farmer and lifelong member and former officer of the NCGA … NCGA is to be commended for its far-sighted commitment to basic science, to genetics, to aggressive product and market development, and to the recognition that the carbohydrate economy is limited only by our own imaginations.

There is an economic and agricultural revolution underway. The general public thinks of this in terms of feeding a hungry world, and it of course is that.

But it is much more as well, as the trinity of food, feed, and fiber expands to food, feed, fiber, fuel, and feedstocks. The revolution in agriculture is, in fact, being driven in part by a parallel revolution in energy, in a new world in which calories and BTU's are fungible.

We are in the early stages of this process. The end is not in sight. I simply can't predict where we will be 10, 20, and 30 years down the road.

But what I do know is this … NCGA is well ahead not only of the general public and most producer groups, but also most policymakers, in understanding the potential and organizing to aggressively pursue it.

There are no guarantees … but no one ever won a game if he didn't compete … and no one competes effectively unless and until he sees the opportunity and recognizes the competition. You've done that.

NCGA is ahead of the curve, and that bodes well not only for corn farmers and American agriculture … but for the nation and the world as a whole … because there is no field of endeavor more important today than meeting the demands of a growing world economy for affordable food, fuel, and feedstocks across an ever-growing spectrum of product lines.

So thank you … and keep it up.

There are a great many things I might discuss today, but there is one which clearly overshadows all the rest. This is the emergence of ethanol … a potentially disruptive technology that is now going mainstream.

I should add parenthetically that I don't mean to slight biodiesel, which deserves a day of its own, but we're here today to talk about corn so I'll focus on ethanol this evening.

Ethanol production last year represented about 4 percent of global gasoline consumption. Over 90 percent of that total was produced in Brazil, from sugarcane, and in the U.S., mostly from corn. Whether you regard 4 percent as a large number, I will leave up to you.

But I would remind you that prices are set at the margins. World demand for oil is surging. Supplies of conventional oil are not keeping up with demand … and as a result, oil prices have marched inexorably from less than $15 barely a decade ago to more than $130 today.

I am not a peak oil theorist … but peak oil or not, we are getting a very painful demonstration of what happens when growing demand hits a constrained supply curve.

Ethanol is not a complete answer to $4 gasoline … but it IS part of the answer. Ethanol last year accounted for more than 100% of the increase in U.S. gas consumption. It is gaining market share.

As a nation, we have not built a new petroleum refinery in more than 30 years … but we <u>have</u> built 147 ethanol biorefineries that are already in operation with another 55 under construction.

Last year we produced 6.5 billion gallons of ethanol, a four-fold increase since 2000. The new Renewable Fuels Standard calls for 36 billion gallons by 2022 … 15 billion of it from corn, the rest from second generation feedstocks. That implies that at least 20 percent of our fuel supply, exclusive of diesel, will be ethanol in less than 15 years. That's significant in anyone's book.

I am told by the economists that it is a very difficult modeling question that of how much ethanol has constrained gasoline price increases. The estimates vary. But are substantial. This is not being widely reported because oil and gasoline prices are rising anyhow, but without question, gasoline is less expensive than it would be otherwise. The effect is there whether it is reported or not, and it will grow as market share increases.

One would think that these contributions by ethanol to the nation would be celebrated, and in some places they are. But we live in a world in which no good deed goes unpunished. The build out of ethanol is no exception.

In recent weeks we have seen a substantial assault on biofuels generally, and ethanol in particular, centered on the Food vs. Fuel controversy.

We now know that what was only rumored a few weeks ago, that much of this assault has been orchestrated by a slick, professional PR campaign.

But the source doesn't really matter. Very clearly, the attack has fallen on fertile ground. The anti-ethanol talking points have been picked up "hook, line, and sinker" by several major media organizations.

And unfortunately, some of the media have presented the public with a highly sensationalized, one-sided account of a very complicated and enormously important question. That is unfortunate, and destructive.

I am sure that all of you are well aware of this debate. And I am confident that most of you are by now aware that USDA has joined this discussion in

a formal way. If you have not already, I urge you to review Secretary Schafer's May 19 press conference, which is on our website. Later this week he will attend the FAO conference in Rome, again to clarify the issue.

Yes, USDA is big, sometimes cumbersome and bureaucratic. We aren't as quick as some entities that feel free to run with back of the envelope calculations. We fact check things and have our economists run the numbers before we go into print, or make prognostication on business talk shows, like CNBC.

That of course still doesn't mean we're always right … but it does mean we're careful. We back things up.
All this means that we sometimes find ourselves playing catchup. Our hope, however, is that if we can lower the tone … deflate some of the sensationalized claims … and encourage a sober second look … believing that eventually good data will prevail. That's leadership, and that is what the administration has had to provide to this issue.

That, at least, is our hope. Whether we will in fact see sober, second-look stories from the drive-by artists in the media remains to be seen.

But that is our hope.

We would hope that the critics would at least consider that this should be a discussion about Food AND Fuel, not Food vs. Fuel. I know that you agree. Biofuels … and beyond biofuels, a whole new world of biobased products derived from agricultural and forest feedstocks … is an historic opportunity, one certainly worth exploring.

We would hope that the critics, in their rush for today's sensationalized headline, would not forget yesterday's and last week's and last month's headlines. Food and Fuel are not the only issues on the table.

If we are serious about reducing greenhouse gas emissions, biofuels are a critically important part of the solution. There is no other fuel source available immediately or in the near-term that can displace significant amounts of fossil fuels in transportation. Someday hydrogen fuel cells or improved batteries may do the job … but that day is not yet here.

We would hope that the critics would take time to remember the vital national security and economic security imperatives of diversifying away from oil. AWEA Houston has been a priority for President Bush from the beginning. It remains a priority and ethanol, as we build out to the 36 billion gallon Renewable Fuels Mandate, is a core part of that strategy.

And perhaps most important, we would hope that the critics will take a second and a third and a fourth look at the numbers, to get them right:

- **It is true that global food commodities costs have increased. Without question, that is painful. Since mid-1999, through March 2008, global food commodities prices have risen 98 percent.**

- **But in the same period, the index for all commodities, non-food as well as food, has risen 286 percent. The index for crude oil has risen 547 percent. In the world of commodities, food price inflation trails the broader averages, it has and still does today.**

• It's also important to note that these are indices for raw commodities, not consumer prices. In the United States, farm commodity prices account for slightly less than 20 percent of the consumer food dollar. The bulk of the price paid at the checkout counter by consumers … and the bulk of the increases consumers have recently seen … are driven by other factors, including and especially the rising cost of energy.

• For all the dire headlines, the fact is that food prices in the United States last year rose 4.5 percent … and according to the White House Council of Economic Advisors, they would have risen by 4.25 percent without any expansion at all of the ethanol industry.

• Globally, the CEA estimates that worldwide demand for biofuels feedstocks accounts for only 3 percent of the 43 percent rise in food prices over the last year.

Clearly, there are many factors at work. The buildout of the ethanol industry does increase demand. But just as clearly, it is not the

primary, nor even a major, factor driving higher commodities and grocery prices.

Having said all of that, I want to avoid myself falling into the trap of offering a single factor explanation for what is going on. To repeat: many things are in play.

But in closing, I do want to draw your attention to one aspect of this discussion that is widely overlooked, that I submit is decisive. If we ignore this, we are apt to get things backwards, and many people do.

The Food and Fuel discussion tends to begin with the observation that the prices of both are rising. That is true. But in the long run, the prices of both are rising for a simple fundamental reason … rising demand.

Fundamentally, rising demand is a good thing. It means that more people have more money to spend. It is a sign of economic growth. It signals opportunity. It is a signal to producers to respond, to innovators to innovate, for investors to invest.

Fundamentally, the across-the-board revaluation of commodities that is occurring today in world markets is a result of a robust, growing world economy. This is a good thing, not a bad thing. This is a success story. That cannot be overemphasized.

Since the fall of the Berlin Wall, almost 3 billion people have joined the world market system. Many of them are formidable competitors. Many are succeeding beyond our farthest expectations of just a few years ago … and we should not begrudge them their success. On the contrary, we should figure out how to make them our customers.

Hundreds of millions of people are now joining the global middle class. Does this change the pricing of commodities? … YES, of course.

Do these changes inconvenience some sectors which must adapt to new price regimes? … YES, of course.

Is this process of adaptation sometimes painful? … Again, YES.

But in the end, once again, economic growth is a good thing, not a bad thing. Hundreds of millions of people are eating better and graduating from bicycles and busses. This is a good thing. New markets for producers, both in the United States and abroad, are a good thing.

So in the end, despite the transitional turbulence, this is an opportunity. We have faced technology revolutions and shifts in our resource base before. In each instance, we have overcome the transitional issues … and emerged a stronger, more productive, more prosperous America, if we let markets work their magic.

We've done it before, and we can do it again as we begin to build the carbohydrate economy. So let me conclude where I began. What you are doing here is important. You are helping to create a new resource base for a growing world.
I don't know what the future holds for corn, or any other commodity. There will be surprises. But I do know that you have positioned yourselves to explore the possibilities and seize the opportunities.

That is all anyone can do, and USDA is proud to be your partner in this effort. Thank you.

Corn Utilization and Technology Conference

- The Corn Utilization Conference is held every two years. With the theme of "Corn: New Horizons," the 2008 CUTC will emphasize the importance of identifying the next generation of technologies to sustain corn as nature's feedstock of the future.

- It is presented by the National Corn Growers Association, which represents approximately 33,000 dues-paying corn growers and the interests of more than 300,000 farmers who contribute through corn checkoff programs in their states. NCGA and its 48 affiliated state associations and checkoff organizations work together to help protect and advance the corn producer's interests.

- CUTC's distinguished list of speakers will cover topics including the evolution of the dry grind platform, value-added chemicals, the ethanol platform, wet-milling technologies, DDGS opportunities, fractionation, biotechnology, technology transfer and commercialization.

- Attendees have the chance to meet with hundreds of valuable business contacts, identify potential new customers, and learn how new technologies will enhance the value of corn. CUTC will also offer more than 30 exhibitor booths presenting new technologies and equipment and a poster session.

- Thanks to technology, corn growers are reaching historic yields and producing more than enough corn to meet all needs … food, feed, fuel and fiber. These conferences allow us to take a look ahead and see what's in the pipeline and strengthen our research and support network.

- The conference continues to be recognized as the premier conference on corn technologies with an international audience. We have attendees from 11 countries: Argentina, Canada, Columbia, Germany, Denmark, Spain, Finland, France, Israel and China, as well as the United States. We have more than 35 speakers in 10 different technical sessions.